

number by 52 (except in 1998, where 35 will be used). This will give the approximate number of Market Hogs to be delivered each week, however, the parties understand that during 1998 and 1999 there may be some fluctuation in deliveries due to start-up.

(f) Producer and IBP shall consult with each other concerning any temporary inability to take or deliver Market Hogs.

(g) IBP shall have a right of first refusal for all of Producer's sows, boars and off quality hogs being sold for slaughter. Producer shall notify IBP of any bids Producer has received for sows, boars and off quality hogs and if IBP is willing to match this offer IBP can take delivery of the hogs.

Section 4. Verification of Hog Quantity and Quality

It is mutually understood between IBP and Producer that Producer will produce Market Hogs with carcasses that will exceed the average of all carcasses delivered to IBP by all producers IBP buys from (excluding Producer's sales pursuant to this Agreement) based on the existing carcass evaluation system at the time of delivery.

(a) IBP and Producer shall mutually agree on the genetics Producer will use for the production of Market Hogs. Producer must notify IBP of any change in genetics and genetic lines and IBP must approve any such changes. However, IBP will not be held liable for any loss of production or undesirable carcass characteristics caused by these genetics and Producer is solely responsible for production output of Market Hogs.

(b) Producer agrees to use for Market Hog production a nutritional program that will produce carcasses that exceed the average carcass characteristics, as defined by the carcass evaluation program at the time of delivery of all carcasses delivered to IBP by all producers IBP buys from (excluding Producer's sales pursuant to this Agreement).

(c) IBP will permit Producer a reasonable number of scheduled visits to IBP's plants during normal operating hours to observe the handling and processing of the Market Hogs delivered under this Agreement. Prior notice shall be given to IBP, and such visits will not unreasonably interfere with the operation of such facilities.

(d) Producer will permit IBP a reasonable number of scheduled visits to Producer Facilities during normal operating hours to observe and monitor production and quality. Prior notice shall be given to Producer, and such visits will not unreasonably interfere with the operation of such Producer Facilities. Producer agrees to provide IBP on request information relating to its production management practices.

Section 5. Price

(a) The price paid by IBP for Market Hogs delivered by Producer and accepted by IBP under this Agreement shall be the price per hundred weight ("cwt") with respect to each Load of Market Hogs determined by IBP in accordance with this Section.

(b) For the Term, the Total Market Price for each Load shall be determined by using the Base Meat Price adding or subtracting from the Base Meat Price, Grade Premiums and